



Financial Management Highlights and Performance

Customs continued its progress toward establishing sound financial management by preparing timely and accurate financial statements which earned an unqualified opinion from independent auditors. This was the fourth consecutive year that Customs has received an unqualified opinion, a result primarily due to a willingness to confront problems and coordinate effective solutions to weaknesses found in Customs processes. During the past year, Customs has proceeded with a number of significant financial management initiatives to improve the effectiveness and efficiency of agency operations.

Customs developed a strategy for the Commissioner to set priorities and make decisions for the year-end budget process which funds critical agency requirements. This will help to minimize any lapse of appropriated funds. An integrated process was put in place to improve the coordination and development of the budget in a way to simultaneously satisfy the needs of Customs planning, investment management, and budgetary processes. The Smart Card program was implemented throughout Customs; the use of Smart Card facilitates the purchase of needed items by thousands of cardholders in the Fleet, Travel, and Purchase Card product lines. Customs effectively managed the Harbor Maintenance Fee refund process, exceeding the Court of International Trade's suggested target rate of processing. Customs also used interagency agreements to achieve economies in the performance of user fee audits and the recovery of funds owed the government. Over \$7 million has been recovered as a result of the audits at a minimal cost to Customs.

To improve its level of service to customers, Customs moved to an Electronic Posting System for all solicitations and contracts. We also implemented Fast-track, a new contracting method suitable for contract purchases with defined requirements. Fast-track reduced the amount of time needed to award a contract by an average of 30 to 40 days. Customs again increased the percentage of financial transactions accomplished electronically, including revenue collections, travel payments and salary payments. Also, the number of Automated Clearing House (ACH) participants increased. New procedures were implemented to expedite the processing and approval of payments for general order merchandise, reducing payment times from the previous 200 to 400 days to about 45 to 60 days. In addition, requirements for an automated system to approve asset sharing were completed, and the system is being tested. The new system will expedite the processing of sharing requests and reduce paperwork. Finally, Customs refined its vehicle replacement policies to promote a 5-year cycle for replacement of its vehicle fleet.

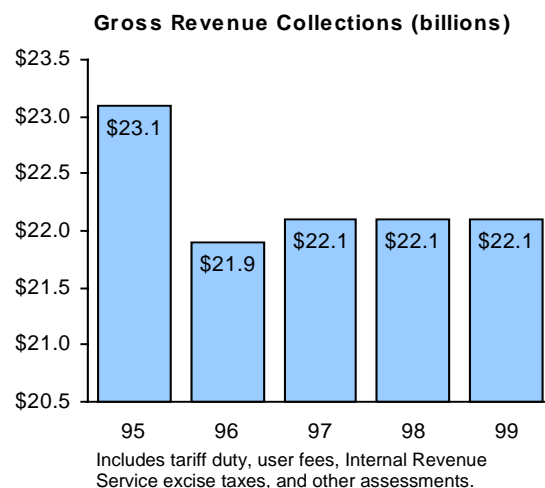
Customs took tangible steps this year to implement financial systems integration and enhancement plans. In the financial area, progress was made in developing the periodic statement, reconciliation, and violation bill prototypes to include in our information technology modernization plan. In a separate initiative, replacing Customs general ledger and supporting administrative systems, baseline functional requirements were completed, a formal software solicitation was made, and a contractor was selected. In FY 1999, CMIS was implemented Customswide, with hands-on training provided for each CMC to ensure successful implementation. Finally, continuity-of-operations plans were completed for financial systems, and preparations to deal with Year 2000 problems were successfully coordinated.

Customs has re-emphasized its goal of being recognized as a leader in financial management. To measure its progress in approaching its objectives in this area, a series of performance measures has been established.

Goal: Increase total revenue collections on behalf of the U.S. Government (tariff duty, user fees, excise taxes, and other assessments).

Measured Results: Collections remained relatively unchanged from FY 1998 collections, at \$22.1 billion.

Customs administers the U.S. Trade Program by enforcing the laws governing the flow of merchandise or commerce across U.S. borders, and assessing and collecting duties, excise taxes, fees, and penalties on imported and exported goods and services. In FY 1999, Customs collected \$22.1 billion and provided \$22.0 billion of this to Treasury to fund other agency programs. Of the remaining \$178.8 million, Customs provided \$63.0 million to the Puerto Rico and Virgin Islands governments, transferred \$66.5 million directly to other federal agencies, and retained \$49.3 million to offset various program costs allowed by law and regulation. Duty and user fee collections decreased \$125.8 million, but were offset by increases in excise taxes, interest, and other miscellaneous collections.

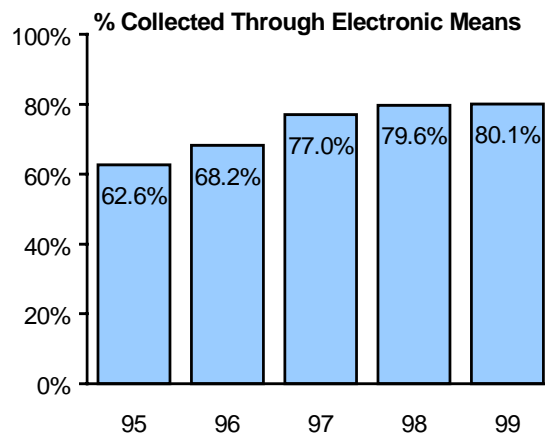




Goal: Increase total revenue collections through electronic means to at least 75 percent.

Measured Results: Customs revenue collections through electronic means increased to 80.1 percent.

The total amount of collections received via electronic means during FY 1999 exceeded \$18.3 billion. This amount represents a continuing increase of electronic collections when compared to prior fiscal years. The primary systems used to process these electronic collections include the ACH, On-Line Payment and Collection (OPAC), and Fedwire. ACH is used to process collections received from the trade community; OPAC is used to process collections from other government agencies; and Fedwire is used to process credit card and excise tax collections.



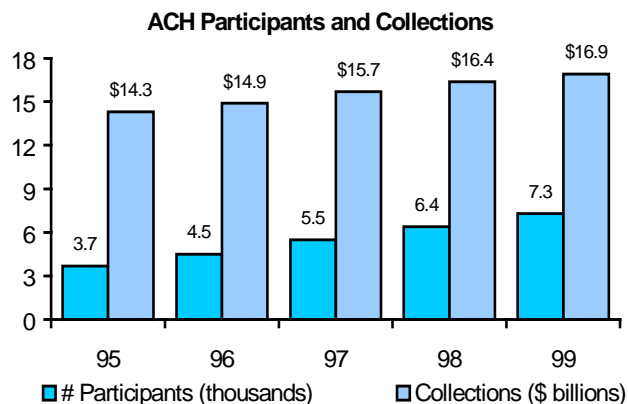
Goal: Earn an unqualified opinion on Customs Financial Statements.

Measured Results: Customs earned an unqualified audit opinion on its FY 1999 financial statements. This is the fourth consecutive year Customs has received a "clean" opinion. Achieving a "clean" opinion has taken on more significance, as additional formal statements have been required in the process. The fact that Customs has received an unqualified audit opinion on its financial statements for four consecutive years sends a strong message of financial integrity to key audiences such as the Congress and the public.

Goal: Increase number of ACH participants.

Measured Results: 7,343 members of the trade community participated yielding a total of \$16.9 billion in collections, an increase from prior years.

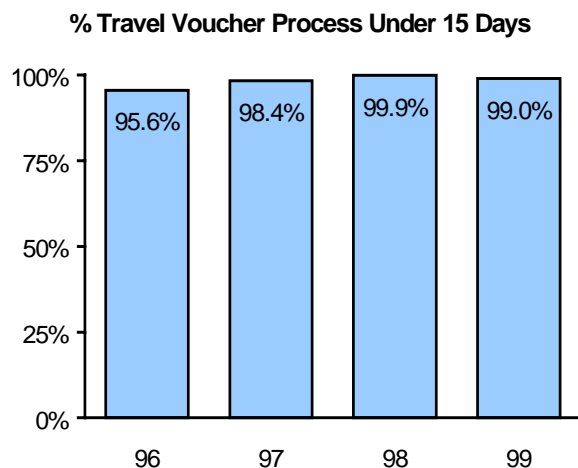
Through the ACH, many members of the trade community paid duties and other fees electronically. ACH saves Customs and its customers time and resources by replacing manual cash and check processing methods with accurate electronic payment transfers.



Goal: Process at least 98 percent of all manual travel vouchers, excluding relocation-related vouchers, within 15 days of receipt.

Measured Results: Customs processed 99 percent of all manual travel vouchers, excluding relocation-related vouchers, within 15 days of receipt.

A timely reimbursement standard was set to prevent financial hardship to employees and/or delinquent government travel credit card accounts. This measure is tracked by comparing receipt dates to process dates maintained through document tracking in the Asset Information Management System (AIMS). Customs started measuring the numbers of vouchers processed within 15 days in May 1996.

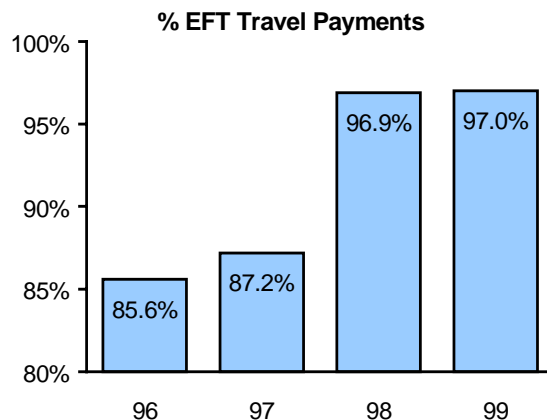




Goal: Increase travel payments made by Electronic Funds Transfer (EFT) to at least 98 percent.

Measured Results: Customs EFT travel payments were 97 percent of all travel payments.

The FY 1999 goal was raised from 85 percent in FY 1998 to 98 percent. The goal was not attained due to waivers and exemptions. This measure compares all travelers' payments (check and EFT) compared to the number of EFT only travel payments. A higher percentage of EFT payments means employees receive their payments faster. It also indicates savings over the former issuing of Treasury checks for reimbursement. FY 1996 data has been provided through means outside of Customs current automated systems. Accordingly, this data was compiled and/or estimated from other existing manual records.



Goal: Attain at least a 25 percent rate of invoices received through Electronic Data Interchange (EDI).

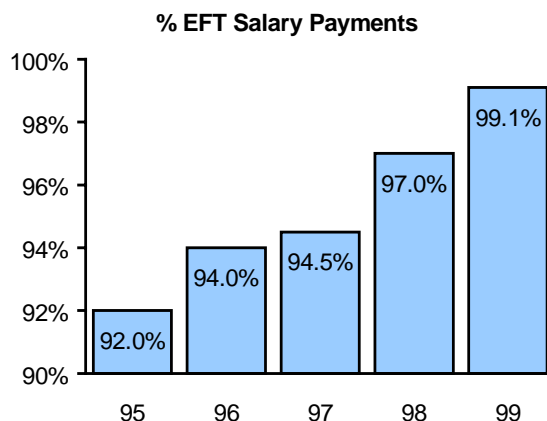
Measured Results: Customs EDI invoices increased to 15.4 percent of all invoices.

EDI was implemented in April 1997; therefore, FY 1998 is the first full year of implementation. EDI allows billing transactions to occur electronically in a standardized data exchange process, without paper. This requires vendors (the transmitters of billing data) and customers (the receivers of billing data) to work using standard prescribed protocols. Currently, Customs has two commodities (fuel and contract mail) on EDI. The demand for these commodities fluctuates from month to month which affects the percentage reported each month. The current configuration of the AIMS EDI Module cannot accommodate the electronic invoicing and receiving for some of our largest commodities such as telephone services, rental of photocopying machines, and centralized purchase of electronic equipment. Enhancements to the AIMS EDI Module have been identified and prioritized, however, AIMS enhancements have been stopped and will be addressed by the new system purchased as part of the Quality Planning for Asset Management (QPAM) project.

Goal: Maintain salary payments made by EFT at 98 percent or better.

Measured Results: 99.1 percent of salary payments were made by EFT.

The Debt Collection Improvement Act (Public Law 104-134) mandates the use of EFT for federal payments. Consequently, this performance measure was established to identify the percent of employees who are receiving their salary via EFT. The higher number of employees receiving their salary by EFT also results in a reduction of Treasury's processing cost as the cost of processing an EFT is significantly less than the cost of processing a check. Customs realizes added cost savings because its related costs of processing check tracers, issuing emergency checks, and accounting for these transactions are reduced or eliminated. Customs requires employees to complete a waiver letter and submit it to the Accounting Services Division if they choose not to adopt EFT. The regulations provide that payment by EFT is not required when "an individual determines, in his or her sole discretion, that payment by electronic funds transfer would impose a hardship." FY 1995 - 1996 data has been provided through means outside of Customs current automated systems. Accordingly, this data was compiled and/or estimated from other existing manual records.





Goal: Cumulative results of operations from user fee activity.

Measured Results: Customs cumulative results of operations decreased \$44 million in FY 1999, from \$1.016 billion reported in FY 1998 to \$972 million, principally as a result of user fee activity.

Changes to the user fee legislation became effective October 1, 1997, including a passenger fee reduction and certain passenger exemptions. Collections decreased \$123 million from FY 1997 to FY 1998, but the FY 1998 collections included payments for passenger travel during the last quarter of FY 1997. The last quarter of FY 1997 collections still included the higher rate and did not exempt any passengers. Collections decreased again this year mostly because we didn't have any collections at the higher rate or any of the exempted passengers.

Customs cumulative results of operations balance is comprised primarily of user fee collections relating to merchandise and passenger processing. These user fees are used to offset Customs costs for specific inspection activity. User fees comprise approximately \$854 million of the \$972 million balance. The remaining \$118 million is comprised of the net of invested capital and future funding requirements for liabilities not covered by budgetary resources. As of September 30, 1999, and 1998, \$640 million of the total balance of user fees collected is restricted by law and not available to Customs except by appropriation. At September 30, 1997, the restricted balance was \$588 million. The amount did not change from FY 1998 to FY 1999.

Goal: Ensure that 90 percent of all micro-purchase transactions (under \$2,500) will be completed using the Smart Card.

Measured Results: Customs processed 95.6 percent of all micro-purchase transactions using the Smart Card in FY 1999.

In FY 1999, Customs completed 92,971 micro-purchase transactions using a variety of simplified acquisition options. Of those transactions, 90,952 (97.8 percent) were made using the Smart Card; 1,175 (1.3 percent) were made using purchase/delivery orders; and 834 (0.9 percent) were made using Blanket Purchase Agreements.

Goal: Prompt Payment Act: Pay at least 98 percent of all invoices timely; reduce the dollar amount of interest paid to 0.02 percent or less of the total value of invoices paid.

Measured Results: Customs paid 98.7 percent of invoices timely; the dollar amount of interest paid was 0.015 percent of the total dollar amount of invoices paid. OMB established a goal rate of 98 percent for the timely payment of all invoices and a frequency rate of 0.02 percent or less for the total number of invoices on which interest is paid. This measure identifies timely processing by both the field offices and OF. Customs met and exceeded OMB goals.

Invoices Subject to the Act	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Total Paid	\$283,957,190	\$292,544,333	\$331,510,780	\$338,879,832	\$438,249,885
Total Paid Late	\$33,947,975	\$28,170,213	\$17,377,661	\$17,307,697	\$25,333,590
Interest Paid	\$53,025	\$45,051	\$38,676	\$32,580	\$67,567
Interest Percentage of Total Amount Paid	0.019	0.015	0.012	0.009	0.015